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Darden Falls After Cutting 2012 Forecasts

By Leslie Patton

Darden Restaurants Inc. (DRI) plunged the most in almost three years after saying sales and profit this year will grow more slowly than previously forecast as the restaurant operator works to revive its Olive Garden chain.

Darden fell 9.5 percent to \$43.20 at 10:02 a.m. in New York after earlier dropping as much as 10 percent, the biggest intraday decline since Jan. 20, 2009. The shares had gained 2.8 percent this year before today.

Earnings per share from continuing operations will rise 4 percent to 7 percent in the year ending in May, down from a previous forecast for a 12 percent to 15 percent gain, the Orlando, Florida-based company said today in a statement.

The restaurant operator has sought to attract frugal diners with a lower-priced menu at its Olive Garden chain. Darden will continue to develop food items and new advertising for the Italian eatery, Chief Executive Officer Clarence Otis said in today's statement.

"We're confident these investments will help Olive Garden get back on track," Otis said.

Sales at Olive Garden stores open at least 16 months fell 5.7 percent in November, compared with gains at Red Lobster and LongHorn Steakhouse.

"The traffic in casual dining is still pretty weak," said Peter Saleh, an analyst at Telsey Advisory Group in New York. Olive Garden "needs to come out with a good value offering and they have to promote it," he said in an interview.

Total sales growth for fiscal 2012 will be 6 percent to 7 percent, less than a prior forecast of 6.5 percent to 7.5 percent, Darden said.

The company, which also owns the Capital Grille and Seasons 52 brands, has more than 1,900 restaurants.